GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:24
ANSWERED ON:22.02.2001
REDUCTION IN CRUDE PRODUCTION BY OPEC
ADHIR RANJAN CHOWDHURY;SHYAMA SINGH

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the OPEC has decided to reduce crude production;

(b) if so, whether the decision of the OPEC will have any impact on the production and prices of crude oil in the country;

(c) if so, the details in this regard; and

(d) the steps taken by the Government to achieve self sufficiency in the production of crude oil in the country?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI RAM NAIK)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 24 T
ANSWERED ON 22.2.2001 REGARDING REDUCTION IN CRUDE PRODUCTION BY OPEC

(a) Yes, Sir. Organisation of Petroleum Exporting Countries (OPEC) at their meeting held in Viennaon 17.1.2001, decided to implement a cut in their crude oil production by 15 lakh barrels per day with effect from 1.2.2001.

(b) and (c): The decision of OPEC will have no impact on the production of crude oil in the country. However, the cut in crude oil production by OPEC has resulted in upward movement of crude oil prices in the international market. An upward movement of crude oil prices in the international market leads to increase in the import bill and the cost of sourcing of petroleum products by the oil marketing companies.

(d): Given the increasing demand for petroleum products and the current level of import dependence of around 70%, it is difficult to envisage self-sufficiency in the near future. However, several important steps have been taken to increase crude oil production in the country, which include :

(i) To improve the recovery factor from existing major fields by implementing Enhanced Oil Recovery (EOR)/Improved Oil Recovery (IOR) schemes; in particular Oil and Natural Gas Corporation Limited (ONGC) has taken up 15 fields for this purpose at an estimatec investment of Rs. 10,000 crore, which would also help in accelerating oil production from these fields.

(ii) To increase exploration efforts through the New Exploration Licensing Policy (NELP), under the first round of NELP, 24 Production Sharing Contracts (PSCs) have been signed and 25 blocks have been offered under the second round of NELP, with bid closing date of 31.3.2001.

(iii) To attract technology and investment; PSCs for 11 discovered fields, 10 in Gujarat and 1 in Assam, are being signed on 23.2.2001 with consortia of Indian and foreign companies.

(iv) To explore in new areas, especially in deep water and difficult frontier areas, as also explore in the deeper layers of the producing fields.

(v) To develop faster the newly discovered fields and to step up the use of new technologies for seismic surveys, work over and stimulation operations, drilling of wells etc. in producing areas.

Supplementing the above efforts for increasing oil production in the country, measures are being taken to acquire equity oil from abroad. The gas from Lan Tay/Lan Do fields of Vietnam, where ONGC-Videsh Ltd.(OVL) holds 45% share, is likely to come or stream by the end of 2002. Recently, on 10.2.2001, OVL has signed a major Agreement for acquisitionof 20% share in Sakhalin-I offshore in Russia, with an estimated investment of Rs. 8,000 crore. OVL has also signed a contract for Exploration Block No.8 in Iraq on 28.11.2000. Memoranda of Understanding(MOU) have also been signed by OVL with National Oil Companies of Algeria,

Indonesia, Vietnam and Venezuela for co-operation in hydrocarbons exploration and production.

6. A NOTE ON INDIAN PROPOSAL TO OPEC COUNTRIES FOR CONCESSIONAL OIL PRICES FOR DEVELOPING COU

1. At the International Energy forum meeting of oil producing and consuming countries held at Riyadh, Saudi Arabia from November 17-19, 2000, India made a forceful suggestion to the effect that oil exporting countries should consider to give concessions to the developing countries in the form of discounts, deferred payments, soft credits etc. The suggestion was well taken and the need to give special consideration to developing countries was appreciated. The matter was taken up in the bilateral meetings also with the oil exporting countries, including Saudi Arabia, Iran, Kuwait, UAE, Indonesia, Algeria, Nigeria and Qatar. Each of these countries, during the bilateral discussions were appreciative of the concerns of India and developing countries and assured that they would ponder upon the suggestion at their own level and collectively. They desired that India`s suggestion could be circulated to the OPEC members in the form of a proposal to facilitate consideration by them.

2. Accordingly Minister (P&NG), on 14th December, 2000, wrote to all the OPEC Oil Ministers . In the said communication the following was proposed :-

(i) Extension of credit period to 90 days by the oil exporting company instead of the normal period of 30 days.

(ii) A price discount of 20% of the incremental price beyond an accepted crude price, say $ 25 per barrel.

(iii) Deferred payment facility at LIBOR for a period of 3 years for incremental amounts due to price increases beyond an agreed level, say $ 28 per barrel.

A copy of said letter is at Annexure.

3. In response to the Indian proposal, Indonesia, U.A.E and Qatar have respondedIndia`s proposal may be considered at the next meeting of the OPEC scheduled to be held in mid March, 2001 in Vienna.

4. The new Secretary General of OPECH. E. Dr. Ali Rodrigues Araque is likely to visit India duringMarch, 2001. Minister (P&NG) will be discussing the issue of oil prices with the Secretary General during his visit.